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Information/Action

Professional Services Committee

Options for the Establishment of Exam Fees for 2005-06 Fiscal Year

Executive Summary: This agenda item describes the condition of the Test Development Administration Account administered by the Commission, and presents options for the establishment of exam fees for the 2005-06 fiscal year.

Recommended Action: Staff is seeking direction from the Commission to set test fees for the 2005-2006 fiscal year.

Presenters: Amy Jackson, Administrator, Professional Services Division and Crista Hill, Manager, Fiscal and Business Services Section

Strategic Plan Goal:

Continue to refine the coordination between Commissioners and staff in carrying out the Commission's duties, roles and responsibilities.

- ◆ Conduct periodic review of the efficiency of the day-to-day operations and financial accountability of the Commission

Options for the Establishment of Exam Fees for 2005-06 Fiscal Year

Introduction

This item explains the 2004-05 exam fee structure and describes the condition of the Test Development Administration Account (TDAA) administered by the Commission. In addition, the item projects revenue for the 2005-06 examination cycle, and presents options for the establishment of exam fees for the 2005-06 fiscal year.

Annually in April the Commission takes action to establish exam fees for each examination program. For the past three years, given the prudent reserve at the time, the Commission did not take action to increase exam fees for candidates.

Fees are determined each spring in order for exam bulletins and website registration materials to be appropriately updated by the contractor. This information must be made available to examinees in a timely manner prior to the new exam cycle that will begin July 1, 2005.

Background

The Commission is Special Fund Agency funded by two special accounts, the Teacher Credential Fund (TCF) supported by credential fees, and the Test Development and Administration Account (TDAA) supported by exam fees.

In operating the various programs for examinations required for California certification, the Commission bears costs related to development and administration of these examinations. Education Code Sections 44252.5, 44253.8, and 44298 require that the Commission charge fees that are sufficient to recover the costs of developing and administering examinations, including periodic studies of examinations. On March 16, 2005 at the Pre-hearing for the Assembly Budget Committee with the Department of Finance, Legislative Analyst Office and various Assembly Subcommittee Staff Consultants, it was confirmed that the Commission has the authority to establish exam fees.

Examination fees cover the contractor's costs of developing and administering the exams, and the Commission's non-contracted costs related to development and administration of the examination programs. Each time an individual registers for an exam, the contractor retains its portion of this fee at an amount that is established in each contract and submits a portion of the fee to the Commission. Those fees are the primary revenue source for the TDAA. The contractor's fee is specified in the proposal that they submit in response to a competitive bidding process. The Commission's non-contracted costs include staff time for exam development, managing the programs, monitoring the contracts, and supporting other Commission responsibilities related to the exam programs.

For the 2005-06 examination cycle, the exam programs for which fees must be established include:

1. California Subject Examinations for Teachers (CSET)
2. Reading Instruction Competence Assessment (RICA)
3. (Bilingual) Crosscultural, Language and Academic Development (CLAD/BCLAD)
4. California Teacher of English Learners (CTEL) Examination

National Evaluation Systems (NES) is the contractor working with Commission staff to develop and administer these four exam programs.

Current Fees Collected for the Test Development and Administration Account

Table 1 shows the fees that the contractor, NES, retains and the amount that the Commission collects as revenue in the TDAA for each of the current examination programs.

Fees charged for each section of the CSET depend upon the number of exam sections required for each subject area. However, the total fee to take all sections for any CSET subject area is \$216.

Candidates taking the CLAD/BCLAD examinations pay one management fee each time they register, regardless of the number of exam sections for which they register. The total fees shown on the chart for the CLAD represent the fee for CLAD Tests 1-3 plus the Commission's portion of the fee. The total fees for the BCLAD represent the fee to take Tests 4 and 5, all four sections of Test 6, and the Commission's portion of the fee. Candidates cannot take all six of the CLAD/BCLAD examinations on a single exam date. Candidates who register to take all four sections of Test 6 on the same date pay one fee for all four sections, while candidates who register to take separate sections of Test 6 pay exam section fees. Under the provisions of the current contract with NES for the CLAD/BCLAD exams, the Commission collects revenue each time a candidate registers for an exam, regardless of the number of exam sections for which they register.

Table 1

Current Commission Examination Program Fees

Examination	Contractor	Total Examinee Fee/Per Exam	Revenue to Contractor	Revenue to Commission¹
CBEST (also used by Oregon)	NES	\$41	\$34.16	\$6.84
CSET (total exam)	NES	\$216	\$180	\$36
Fee per section				
2 section exam	NES	\$216	\$90	\$18
3 section exam	NES	\$216	\$60	\$12
4 section exam	NES	\$216	\$45	\$9
RICA	NES			
Written Examination (WE)	NES	\$134	\$98	\$36
Video Performance Assessment (VPA)	NES	\$226	\$195	\$31
CLAD/BCLAD	NES			
Fee per registration (for any number of exams)				\$38
CLAD Test 1			\$45	
CLAD Test 2			\$75	
CLAD Test 3			\$75	
CLAD Total		\$233		
BCLAD Test 4			\$45	
BCLAD Test 5			\$55	
BCLAD Test 6 (all four sections)			\$145	
Test 6: Listening			\$45	
Test 6: Reading			\$45	
Test 6: Speaking			\$50	
Test 6: Writing			\$55	
BCLAD Total		\$283		
CLAD and BCLAD Total		\$516		

An additional revenue source for the TDAA account is an annual \$50,000 royalty that the Commission receives from Educational Testing Service (ETS) for its use of the Multiple Subjects Assessment for Teachers (MSAT), a test developed by the Commission and California Educators. The Commission will receive this royalty through 2015.

¹ The total amount of revenue generated is a function of the per test fee that goes to the Commission and the volume of the registrants.

Examination Registration Volumes for 2001-02 through 2003-04

Table 2 below displays the number of paid exam registrations, including repeat exam takers, for each examination program for 2001 through 2004. These numbers represent the candidates who paid the Commission's program management fee for each registration.

Table 2
Examination Registrations 2001-02 to 2003-04 ²

Exam Program	2001-02 Candidates	Revenue	2002-03 Candidates	Revenue	2003-04 Candidates	Revenue
CBEST	140,432	\$1,150,875	120,669	\$1,012,617	91,999	\$585,056
RICA Written	22,954	574,817	26,251	978,614	27,888	1,036,068
RICA Video	88	1,635	95	3,240	111	4,010
CSET	N/A	N/A	52,396	605,364	168,970	1,969,029
MSAT	38,396	806,315	25,773	541,000	N/A	N/A
CLAD/ BCLAD	4,247	291,997	4,999	526,708	4,261	499,676
MSAT royalty		50,000		50,000		50,000
Total	206,117	\$2,875,639	230,183	\$3,717,543	293,229	\$4,143,839

Projected Commission Examination Revenue for 2004-05 and 2005-06

Table 3 below presents the projected exam revenue for 2004-05 based upon current registration data. The projected revenue is based on the current fee structure. The projection for the 2005-06 examination cycle is based on reviewing past years exam volumes, analysis of California State University teacher enrollment data, trend analysis of Commission data on credentials awarded, student enrollment data, and known policy and state budget environment. The actual total program revenue will vary from the projections shown in Table 3 based upon final examinee volumes at the end of the year.

² The revenue for each examination program does not directly represent the number of candidates multiplied by the examination fee. This is due to examinee withdrawals, differing revenue for absentees, a small amount of interest to the Commission, and other factors.

Table 3

Projected Revenue 2004-05 and 2005-06

	2004-05	2005-06
CBEST	\$585,168	\$585,168
RICA WE	813,962	813,962
RICA VPA	3,968	3,968
CSET	1,955,235	2,031,231
CLAD/BCLAD	300,504	173,698
CTEL	N/A	41,800
MSAT Royalty	50,000	50,000
Total	\$3,708,837	\$3,699,827

Projected Commission Expenditures for 2004-05 and 2005-06

Table 4 below reflects the Commission's anticipated costs associated with the administration and development of the exam programs. The projection is based on the projected Personal Services and Operating Expenses and Equipment dollars included in the 2005-06 Governor's Budget for the exams program.

Table 4

Estimated Expenditures 2004-05 and 2005-06

Commission Program	2004-05	2005-06
Certification Assignment And Waivers Division	\$362,422	\$307,373
Professional Services Division	3,369,030	3,907,323
Division of Professional Practices	256,755	254,269
Total	\$3,988,207	\$4,468,965

In light of the current fiscal crisis in the State of California the Commission has reviewed the current operations and has made some significant improvements on how we do business in order to reduce costs to the State of California and exam candidates. However, even with the change in business practices, the Commission must pay increasing costs that are outside of its control that impact the fund balance itself. These costs include Workers Compensation, ProRata³, Retirement, Employee Compensation, etc.

³ ProRata is the portion of the State's indirect costs incurred by central service agencies that are charged to Special Fund agencies such as the Commission.

Resource Efficiency

Over the past three years, the commission has managed to avoid raising fees for examinations by creating efficiencies in its business practice. The Exams Unit, under Dr. Swofford's direction has worked to gain efficiencies in how it conducts the business of overseeing exam development and administration. However, at the same time that efficiencies were being made, workload for the Exam Unit increased extensively, and the efficiencies gained are no longer sufficient to offset the increased costs of developing and administering the Commission's examination programs.

Exam Unit Efficiencies Gained

The Exams Unit of the Professional Services Division has worked over the past several years to gain efficiencies by revising business practices, including modifying exam contract structures, utilizing technology, and using, when appropriate, existing examinations and/or exams customized for use in California.

An important shift has been to redevelop the structure of all exam contracts. Contracts, through new Requests for Proposals and amendments, now require the contractor to keep their fee portion and to send only the Commission fee back. Previously, the entire exam registration fee was sent to the Commission and the Commission fiscal office sent the contractor their portion of the overall exam fee. This practice created work for both fiscal and the exam unit staff. The change in contract structure has created a more efficient billing system that is simpler to document and check. New contract structures also require contractors to pay for design teams, their accommodations, and travel. This saves the Exam Unit and Fiscal staff workload in organizing these important events. It is important to clarify that these revised contracts will expire June 30, 2006. In 2005, exam staff will develop and release potentially four new RFPs and negotiate new contracts, in addition to their current workload.

The new CSET program and contract provided an additional efficiency. The entire subject matter exam program for Multiple Subject and Single Subject candidates is with one contractor (NES) instead of two separate exams with two different contractors (NES and ETS). This streamlined the registration process and decreased customer service assistance.

To gain further efficiencies, staff have reduced travel and have developed procedures for working with contractors, IHEs, and K-12 districts via phone conferences, email and other on-line communication programs such as Sparrow (an IBM product that the Commission holds a license to use). All meetings that do need to occur to complete exam business, are held in Sacramento, and when possible at the Commission.

In addition, staff have implemented procedures to handle candidate questions by email instead of by phone. This approach has resulted in better customer service and has enabled staff to track candidates requests more efficiently and to respond quickly to questions about registration, administration, and exam results.

The last two new exam programs that have been offered to candidates have been "off-the-shelf" or existing exam programs. The Teaching Foundation Exam (TFE) series and the School

Leaders Licensure Assessment (SLLA) are exams that Educational Testing Service (ETS) owns and therefore maintains. Efficiencies gained by using these already developed exams leads to decreasing the development requirements for Commission staff by approximately two years. The development required for these types of exam programs is to conduct a standard setting study so that the Commission can set its own California passing standard requirement. Typically exams of this type can be offered for administration in six to twelve months. Developing a new exam for California can take up to three years. An exam program, such as the TFE, an exam program that was created to meet California requirements (SB 57, Scott) was designed from existing items and required two years of development.

Exam Unit Workload Increase

As efficiencies were gained during the past several years, overall workload has increased for the Exam Unit. The Exam Unit has managed an extensive agenda of exam validation studies, development of new examination programs, and absorbed requirements set forth in the No Child Left Behind federal legislation. In addition, exam staff was directed to assure that all exam programs are aligned with the K-12 student academic content standards and the California Frameworks. The total volume of examines in all examination programs has increased from approximately 200,000 to 300,000 (See Table 2). In addition, the Commission has added the SLLA and TFE to its array of examination programs. Although the Commission did not incur costs associated with developing the TFE and SLLA, there are human resource costs associated with administering these programs.

Examinee volume has grown for some examination programs. Staff has worked with the contractor (NES) to assure that an appropriate number of exam sites are available and that registration processes are efficient. An example is the dramatic increase of exam takers of the Multiple Subjects CSET exam (see Table 2). This exam is now a credential requirement for Multiple Subject candidates to prove that they are highly qualified teachers in order to meet the NCLB action taken by the State Board of Education.

In the past two years, both the TFE series and the SLLA have been administered in California. Staff worked with the contractor (ETS) to conduct standard setting studies and the Commission approved passing standards for both of these new exam programs. New state legislation (AB 2286, Mountjoy) requires the staff to identify for the Commission's approval, a special education exam. This will be a new exam program for staff to oversee, conduct a standard setting study, and administer. It is anticipated that an exam will be available to candidates within the fiscal year.

In addition to the workload increases noted above, the Commission's ongoing work relative to development and validation of existing exam programs has increased and become more complex. For example, in developing a performance assessment system pursuant to SB 2042, staff worked with its contractor, ETS, to develop a model teaching performance assessment during 2001-03. In the past two years, staff has continued to develop this system of assessment and train assessors. Approximately 350 assessors have been trained by Commission staff. This assessment program is offered to Institutions of Higher Education and District Intern programs at no cost. Additionally, the California Formative Assessment and Support System for Teachers

(CFASST), used by the Beginning Teacher Support and Assessment (BTSA) community is being reconceived and revised to more directly align with K-12 student academic content standards, teacher preparation teaching performance expectations (TPEs), and the California Standards for the Teaching Profession. Approximately 16,000 first and second year beginning teachers a year use this formative assessment system in California.

Staff has overseen several job analysis and validity studies for major exam programs. CSET development required validity studies, the development of exam specifications, and new exams for Multiple Subject (one exam program) and all Single Subject matter areas (30 exam programs). The CLAD/BCLAD exam program is currently undergoing revision and recently completed validity work for appropriate exam specifications. The new exam program is now called the California Teacher of English Learner Exam (CTEL). This spring, staff is planning preliminary work to conduct a validity study of the RICA exam program which could result in a full redesign of the RICA exam program.

In August, 2004, the Commission directed staff to conduct a systemic review of its credentialing examinations to ensure that each exam program met the Education Code, was valid and reliable, and administered efficiently. The exam unit has conducted four stakeholder meetings since August to study four main questions about the overall condition of the existing exam programs. The first meeting focused on CBEST, the second on analyzing exam specifications for CBEST, CSET, RICA, and the third on electronic examination technology. The fourth and final meeting will address the teaching performance assessment requirement. Staff met several times with a technical advisory team (CSU, UC, and Independent institutions are represented) to discuss the issues and the stakeholder discussions. The summary and analysis of these stakeholder discussions and the technical advisory meetings will be brought to the Commission.

The addition of two new exam programs, the implementation of the teaching performance assessment, and the recent requirement to add a special education exam has resulted in a significant increase in workload for the Exam Unit.

Despite the increased volume of examinees, anticipated revenue to the TDAA will be insufficient to support the costs of administering the Commission examination program. The revenues generated at the current fee levels will also be insufficient to support the proposed loan from the TDAA to the TCF account that was included in the Governor's 2005-06 Budget.

Options and Considerations

The following strategies offer a series of fee options for the Members of the Commission to consider.

CBEST Test Fees

It is important to note that the fees for the California Basic Educational Skills Test (CBEST) are set at a maximum of \$41, the current fee, in Title 5 Regulations, Section 80487. The fee for the CBEST exam can not be changed unless the Title 5 regulation is revised.

The Commission may change its Title 5 regulations if necessary, however Title 5 changes cannot be completed in time to effect the 2005-06 exam fee schedule. In addition, the Commission does not collect a program management fee for the Teaching Foundations Examination (TFE) or the School Leadership Licensure Assessment (SLLA). These examinations were developed and licensed by Educational Testing Service (ETS) and the Commission does not own these exams. In addition, no fees are collected for the management and ongoing development of the California Teaching Performance Assessment (this performance assessment system was developed with Title II federal funds and is owned by the Commission).

A. No Change In Exam Fees:

As shown in Table 4, if no adjustment is made to the Fees for 2005-06, the projected revenue for the year would be \$3,699,827. The Commission’s projected costs for development and administration of the exam programs for 2005-06 is projected at \$4,468,965. This would leave a shortfall of \$769,138.

B. Increase The Fee For Each Examination by \$5:

Under this option, the total Program Management Fee for each examination program would be increased by \$5 with the exception of the CBEST. The CBEST fee cannot be changed due to Title 5 regulations that set the maximum fee at the current amount of \$41. This would increase the Program Management Fees to the following:

Exam	Current CTC Fee	New CTC Fee	New Total Fee
CBEST	\$6.84	\$6.84	\$41
CSET	\$36	\$41	\$221
RICA Written	\$36	\$41	\$139
RICA Video	\$31	\$36	\$231
CLAD /BCLAD	\$38	\$43	CLAD \$238 C/BCLAD\$521
CTEL	\$38	\$43	\$238

These changes would generate projected revenue of \$4,117,715 leaving a projected deficit of \$351,250 in the TDAA.

C. Increase The Fee For Each Examination by \$9:

Under this option, the total Program Management Fee for each examination program would be increased \$9 with the exception of the CBEST. This would increase the Program Management Fees to the following:

Exam	Current CTC Fee	New CTC Fee	New Total Fee
CBEST	\$6.84	\$6.84	\$41
CSET	\$36	\$45	\$225
RICA Written	\$36	\$45	\$143
RICA Video	\$31	\$40	\$235
CLAD/BCLAD	\$38	\$47	CLAD \$242 C/BCLAD\$525
CTEL	\$38	\$47	\$242

These changes would generate projected revenue of \$4,451,999 leaving a projected deficit of \$16,966 which may be overcome if examinee volumes are slightly higher than projected.

D. Increase for each Exam registration/section by \$5:

Under this option, the total Fee for each section of the RICA and CSET exams would increase by \$5, the CLAD/BCLAD fee would be increased by \$15 per registration (regardless of the number of tests for which the candidate registers), and the CTEL fee would be set at an amount that matches the CLAD/BCLAD. The CBEST fee would not be increased. This would increase the fees to the following:

Exam	Current CTC Fee	New CTC Fee	New Total Fee
CBEST	\$6.84	\$6.84	\$41
CSET			
2 sections (Art & Preliminary Educational Technology)	\$36	\$46	\$226
3 sections (All other subjects)	\$36	\$51	\$231
4 sections (English)	\$36	\$56	\$236
RICA Written	\$36	\$41	\$139
RICA Video	\$31	\$36	\$231
CLAD/BCLAD	\$38	\$53	CLAD \$248 C/BCLAD \$526
CTEL	N/A	\$53	\$248

These changes would generate projected revenue of \$4,706,580 that would create a projected surplus of \$237,615.

Staff Direction

Commission staff is seeking direction from the Commission to establish exam fees for the 2005-06 fiscal year.